

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
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July 24, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

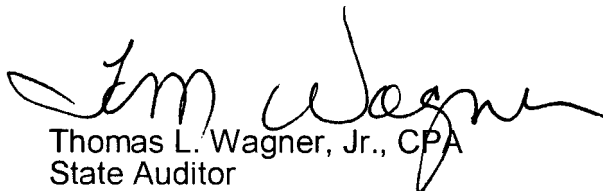
Re: AC# 3-BKV-J9 – GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**GRANCARE SOUTH CAROLINA, INC.  
D/B/A BROOKVIEW HEALTHCARE CENTER**

**GAFFNEY, SOUTH CAROLINA**

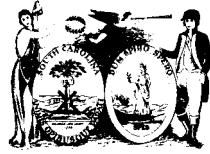
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-BKV-J9**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, for the contract period beginning October 1, 2000 and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

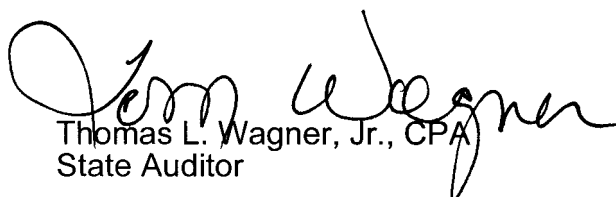
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GranCare South Carolina, Inc. d/b/a Brookview Healthcare Center dated as of September 26, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
June 10, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**BROOKVIEW HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-BKV-J9

10/01/00-  
09/30/01

Interim Reimbursement Rate (1)	\$88.62
Adjusted Reimbursement Rate	<u>86.42</u>
Decrease in Reimbursement Rate	\$ <u><u>2.20</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**BROOKVIEW HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2000 Through September 30, 2001  
AC# 3-BKV-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$38.35	\$54.01	
Dietary		8.19	10.12	
Laundry/Housekeeping/Maintenance		<u>6.95</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	53.49	73.01	\$53.49
Administration & Medical Records	<u>\$ .06</u>	<u>10.49</u>	<u>10.55</u>	<u>10.49</u>
Subtotal		63.98	<u>\$83.56</u>	63.98
<u>Costs Not Subject to Standards:</u>				
Utilities		2.50		2.50
Special Services		.58		.58
Medical Supplies & Oxygen		4.10		4.10
Taxes and Insurance		1.78		1.78
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$72.96</u>		72.96
Inflation Factor (3.20%)				2.33
Cost of Capital				7.80
Cost of Capital Limitation				(.32)
Profit Incentive (Max. 3.5% of Allowable Cost)				.06
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.42)
Nurse Aide Staffing Add-On 10/01/99				.53
Nurse Aide Staffing Add-On 10/01/00				<u>1.37</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$86.42</u>

**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,791,340	\$ -	\$ 12,256 (5) 438 (5)	\$1,778,646
Dietary	380,815	-	1,218 (5)	379,597
Laundry	90,702	-	-	90,702
Housekeeping	133,419	1,577 (8)	1,141 (9)	133,855
Maintenance	98,402	1,159 (8)	385 (5) 418 (6) 831 (9)	97,927
Administration & Medical Records	599,580	1,093 (8)	1,646 (5) 216 (5) 111,623 (6) 634 (9)	486,554
Utilities	115,696	1,363 (8)	4 (6) 984 (9)	116,071
Special Services	27,081	317 (7)	326 (5)	27,072
Medical Supplies & Oxygen	204,993	-	14,639 (7)	190,354
Taxes and Insurance	143,423	1,518 (6) 1,573 (8)	12,209 (3) 51,053 (4) 652 (9)	82,600
Legal Fees	5,425	11 (8)	4,586 (6) 1 (9)	849



**BROOKVIEW HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	361,253	1,208 (8) 53,440 (10)	13,437 (1) 6,033 (2) 33,573 (6) <u>1,371 (9)</u>	361,487
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	3,952,129	63,259	269,674	3,745,714
Ancillary	98,769	7,536 (7)	-	106,305
Non-Allowable	378,106	13,437 (1) 6,033 (2) 51,053 (4) 16,485 (5) 148,686 (6) 6,786 (7) <u>5,614 (9)</u>	7,984 (8) 53,440 (10)	564,776
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,429,004</u>	<u>\$318,889</u>	<u>\$331,098</u>	<u>\$4,416,795</u>
Total Patient Days	<u>46,374</u>	<u>-</u>	<u>-</u>	<u>46,374</u>
TOTAL BEDS	<u>132</u>			

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$184,100	
	Nonallowable	13,437	
	Fixed Assets		\$116,782
	Other Equity		67,318
	Cost of Capital		13,437
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	6,033	
	Cost of Capital		6,033
	To remove amortization expense related to organization and loan cost State Plan, Attachment 4.19D		
3	Accrued Property Taxes	21,448	
	Retained Earnings		9,239
	Taxes and Insurance		12,209
	To adjust property taxes and related accrual HIM-15-1, Sections 2302.1 and 2304		
4	Nonallowable	51,053	
	Taxes and Insurance		51,053
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nonallowable	16,485	
	Nursing		12,256
	Restorative		438
	Dietary		1,218
	Maintenance		385
	Administration		1,646
	Medical Records		216
	Special Services		326
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Taxes and Insurance	1,518	
	Nonallowable	148,686	
	Maintenance		418
	Administration		111,623
	Legal		4,586
	Utilities		4
	Cost of Capital		33,573
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Special Services	317	
	Ancillary	7,536	
	Nonallowable	6,786	
	Medical Supplies		14,639
	To remove special (ancillary) services		
	reimbursed by Medicare		
	State Plan, Attachment 4.19D		
8	Housekeeping	1,577	
	Maintenance	1,159	
	Administration	1,093	
	Legal	11	
	Utilities	1,363	
	Taxes and Insurance	1,573	
	Cost of Capital	1,208	
	Nonallowable		7,984
	To reverse DH&HS adjustment to remove		
	indirect cost applicable to a		
	non-reimbursable cost center		
	HIM-15-1, Section 2102.3		
	State Plan, Attachment 4.19D		

**BROOKVIEW HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	5,614	
	Housekeeping		1,141
	Maintenance		831
	Administration		634
	Legal		1
	Utilities		984
	Taxes and Insurance		652
	Cost of Capital		1,371
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Cost of Capital	53,440	
	Nonallowable		53,440
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$524,437</u>	<u>\$524,437</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BROOKVIEW HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	3,182,520	1,591,260	
Improvements Since 1981	683,353	14,613	
Accumulated Depreciation at 9/30/99	<u>(1,175,008)</u>	<u>(422,447)</u>	
Deemed Depreciated Value	2,690,865	1,183,426	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	161,452	71,006	
Return Applicable to Non-Reimbursable Cost Centers	(844)	(186)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>229</u>	<u>114</u>	
Allowable Annual Return	160,837	70,934	
Depreciation Expense	89,885	44,491	
Amortization Expense	319	159	
Capital Related Income Offsets	(2,511)	(1,256)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(914)</u>	<u>(457)</u>	<u>Total</u>
Allowable Cost of Capital Expense	247,616	113,871	\$361,487
Total Patient Days (Actual)	<u>30,916</u>	<u>15,458</u>	<u>46,374</u>
Cost of Capital Per Diem	\$ <u>8.01</u>	\$ <u>7.37</u>	\$ <u>7.80</u>

**BROOKVIEW HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-BKV-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$7.37</u>
Reimbursable Cost of Capital Per Diem	\$7.48	
Cost of Capital Per Diem	<u>7.80</u>	
Cost of Capital Per Diem Limitation	\$ <u>(.32)</u>	

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